

Minutes for November 19, 2013

Local Government Advisory Committee (LGAC)

Attendees

Members: Alexandra Johnson (SAO), Christy Raske (SAO), Jerry Pettit (WACO), Dean Walz (WFOA), Brad Posenjak (WFOA), Jim Chase (WFOA), Milene Henley (WACO), Mark Rapozo (SAO)

Additional attendees: Debra Burleson (SAO), Sheri Sawyer (SAO), Duane Walz (SAO), Kathy Streissguth (Clark Co Fire), Serena Dolly (AWC), Debbie Becker (Washington Conservation Districts)

Decisions of the State Auditor

No decisions required by the State Auditor.

Minutes

The LGAC meeting began at 9:00 am and was held in the Sunset Training Room, Olympia. The meeting was called to order by Christy Raske.

Approval of Minutes from December 2012

Christy Raske asked if the members had reviewed the minutes and if they are ready for approval. Jerry Pettit moved and Brad Posenjak seconded the motion to approve the minutes. The minutes were unanimously approved.

Local Government Performance Center (LGPC)

Sheri Sawyer from the State Auditor's Office presented information about the latest free trainings available for local governments by the Performance Audit Division. The trainings are provided across the state and are aimed at helping local governments with their operations. If local governments have ideas for trainings or wish to host one, they should contact our Office. The

LGPC will be updating the financial condition report with financial indicators for local governments.

The LGPC hired a Lean specialist, Debra Hentz, who will start in January, providing Introduction to Lean classes and more in-depth process improvement training. In addition, Sherrie Ard, currently a fraud specialist with SAO, will start with the LGPC in December as a financial management specialist. Sherrie will provide financial management related training and technical assistance to local governments. The LGPC will offer their first financial management training in January (exact date and location TBD) to elected officials.

The Center has a leadership group which is similar to the LGAC and provides input on the LGPC issues. Sheri offered to provide the [link](#) for LGAC members with more information about resources and activities available to the local governments.

Organizational Changes

Mark Rapozo, introduced himself as the new Deputy Director, Local Government Audits. He and Sadie Armijo are the Deputy Directors of Local Audits and they both report to Kelly Collins, Director of Local Audits. Chuck Pfeil has changed positions to the Director of Performance and State Audits, and Jan Jutte is one of his Deputy Directors. Mark has managed and worked on numerous local audit teams, most recently as a manager for Team Tacoma. He has been with the office over thirty years.

Future LGAC Meetings

Christy asked the Committee if members would like to consider conference calls in the future to increase meetings' attendance. Jerry suggested Polycom meetings. The Office has multiple Polycom locations throughout the state and would be willing to offer this option for the future meetings. Attendees would still have the option of attending the meetings in person.

BARS Update

General Changes

Alexa Johnson discussed some of the issues the Office is dealing with related to the first web format BARS manuals. The concern regarding tracing the changes was resolved by indexing all manuals and redeveloping

the form listing the changes. Alexa discussed different parts of the form. She also informed the Committee about the attempt to decrease the number of manuals and the complexity of update. Currently the GAAP and cash port manuals were combined into one. This was possible since over 90% of files were repeated in both manuals.

There is still some work required to unify the language, decrease repetitions, etc. Since this is the first year of the web format, the Office is still working on improvements.

Chart of Accounts

A new section was added. This section contains an overview of all accounts. Since the chart of accounts is an unformatted listing of accounts, the local governments suggested that it would be helpful to add an overview of all different revenue and expenditure categories.

There are many small changes, clarifications, corrections of inconsistencies, etc. - changes which we anticipated to happen during the final draft review, but did not happen till the governments started use the new chart. Alexa mentioned that the new account 3360424 was added at request of the DOH. Also, in cash-basis chart of accounts the 370 category was removed since it is not applicable to this basis of accounting.

Accounting

Alexa informed the Committee that the accounting menu was streamlined and some new categories added and other retitled.

There are two additions to this part of manual. One is a requirement to inform our Office about newly created or dissolved entities. Dean Walz suggested adding some examples. The second is not new but new in this part of manual. The previously called Schedule 10 is no longer a required reporting item. It is a tool for the governments to monitor their legal debt. The text and the matrix were revised. Dean Walz had several comments regarding some language and he worked after the meeting with Debra to implement them. Alexa mentioned that the section which discussed credit cards and cell phones was split into two separate topics and presented the credit card portion since this one was updated. Dean Walz proposed to rename the section and include references to other purchasing cards.

Reporting

The Office will require local governments to update the incorrect financial data submitted in annual reports. Jerry suggested that only material errors be corrected. Brad pointed out that the error maybe not material in the context of financial statements but significant when looking at detailed data in the LGFRS; for example miscoded taxes. Since the level of details in the

statements is often much higher the total amount of taxes may be correct, but the particular types miscoded in the system.

The other addition is a section about the Certificate of Conformance Program for Small Government Annual Financial Reports (SGAFR). Brad asked if when an entity would choose to prepare the SGAFR, it would also have to prepare a separate report for the audit. The answer was no. The Office would audit that report. We do not have yet any auditing procedures developed since we are not aware of any governments willing to participate in this program.

Alexa pointed out that we remove blank forms (we left the examples) for annual reports in the manuals trying to encourage the governments to file on line.

In GAAP manuals we corrected the terms referring to *deferrals* to comply with the GASBS 63 and 65. We added disclosure requirements for GASBS 69 and 70 even if they are not applicable yet to make sure governments are aware of the upcoming standards.

To facilitate easy way to find the different notes we alphabetized the listing and explain in the instructions to notes the proper layout.

OPEB and Pension Liabilities

Debra Burleson discussed the timeline for the State's implementation of GASB Statements 67 and 68. The implementation workgroup includes OFM, DRS, OSA and SAO. GASB Statement 67 affects the reporting by pension plans. The State (DRS CAFR) will implement for the year ending 6/30/14. GASB Statement 68 affects the reporting by all participating employers in pension plans. The State (OFM CAFR) will implement for the year ending 6/30/15. The State has informed us that it is its intention to provide participating employers the information they need to implement GASB 68 (their allocated portion of the net pension liability) for their financial statements for the year ending 12/31/15. The State's current target for providing this information is approx. 9/30/15. The net pension liability is not considered "debt" for the purpose of calculating debt limitations. The GASB has not yet published an implementation guide for GASB 68.

Training Update

Christy and Duane Walz discussed the Office training offered for 2014. The Office will continue to offer the standard training with WFOA (BARS, Cash-basis Accounting, Fire Districts Accounting, and Federal Grants). In

addition, the Office will be offering a free-four training for local governments with less than \$300,000 in annual revenues. Duane is setting up the training at each county with the help of the county auditors. The trainings are planned for Feb/March of 2014. The schedule will be posted on the Auditor's Office website. Local governments can attend any location that is convenient for them. The training will be a two hour formal session, followed by a one-on-one assistance as needed and possible. The Office's goal is to train approximately 800 local governments to prepare and file (hopefully on line) their annual reports.

Other Topics

Dual Opinion

Christy handed out an article sent to all local governments in September 2013 regarding the audit opinion changes due to AICPA standards. In 2013 audit reports for cash-basis local governments will contain two audit opinions. They will continue to receive an opinion on their statements on a cash-basis and a second opinion reflecting the fact that the statements are not in accordance with GAAP. There were questions on whether the Office is required to do this. Mark Rapozo responded that the Office is following the national auditing standards established by the AICPA. The adverse opinion should not be interpreted to mean the statements are not correct or misstated. Also, the State Auditor's Office is not requiring local governments to change to GAAP. Christy informed the Committee that the Office have reached out to bond-rating agencies and they have no concerns with these reporting changes.

Financial Review Sign-Off

Jerry Pettit inquired about options for small local governments to obtaining a competent individual to sign-off on financial statements to meet internal controls requirements and to avoid SAS 115 findings. The Office has suggested hiring a CPA for this purpose, but according to Jerry, this is not as easy as it sounds. CPA's may not be willing to do this and may not be familiar enough also there is an issue of incurring a high cost. Mark presented an example of the Tacoma Team where they were aware of competent CPAs in the area and were able to refer them to this pool of CPAs. He offered to touch base with the audit team in Yakima and try to come up with some resources for Jerry in that area.

Operational Interruptions

Jerry asked if they audit teams could be more sensitive when scheduling time with his staff. At times, they schedule meetings, and do not show up, or schedule at the last minute, causing interruptions that could have been avoided. Mark asked him to contact him if there was an issue during his next audit, or whenever there is an issue. Mark asked the Committee to remember to complete customer service surveys at the end of the audit, since he reviews each survey for his teams. .

Jerry also brought up use of the HelpDesk by the auditors as a “gotcha” item. The Office has not created the helpdesk for that purpose but would like to work on this with our clients.

Meeting adjourned at 11:55 a.m.